

Message Text

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ACTION EB-11

INFO OCT-01 NEA-11 ISO-00 FEA-02 SCI-06 INT-08 COME-00

OMB-01 TRSE-00 STR-08 AID-20 IGA-02 CIEP-02 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 DRC-01 (ISO) W

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P 221745Z JAN 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 9186

INFO AMCONSUL KARACHI PRIORITY

AMEMBASSY TEHRAN

AMEMBASSY ISLAMABAD PRIORITY

C O N F I D E N T I A L NEW DELHI 1089

E.O.: 11652: GDS

TAGS: PFOR, ENGR, IN, IR

SUBJECT: INDO-IRANIAN ECONOMIC TALKS: FROTH, BUT NOT MUCH SUBSTANCE

ISLAMABAD AND KARACHI FOR AMBASSADOR MOYNIHAN

REF: (A) NEW DELHI 12185 (B) TEHRAN 8074 (C) NEW DELHI 1002

(D) TEHRAN 322

SUMMARY: NOTHING OF SUBSTANCE WAS ACHIEVED DURING IZHESWOREE-DAY
INDO-IRANIAN JOINT COMMISSION MEETINGS JANUARY 14-16, CONTRARY
TO EARLIER INDIAN EXPECTATIONS. THE MEETINGS WILL RESUME
IN TEHRAN IN FEBRUARY. THE AMBITIOUS SHOPPING LIST OF JOINT
PROJECTS AND EXPORT PROMOTIONS PROPOSED BY THE GOI WAS TURNED
DOWN OR DEFERRED BY THE IRANIAN DELEGATION HEADED BY MINISTER
OF ECONOMY ANSARI. THE IRANIANS WOULD NOT AGREE TO A TWO-TIER
SYSTEM OF CRUDE OIL PRICES, OR TO A SOFT LOAN FOR THE PURCHASE
OF CRUDE. IRAN MADE NO COMMITMENTS TO INVEST CAPITAL IN INDIA.
END SUMMARY

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1. AFTER THE WARMING TREND IN INDO-IRANIAN RELATIONS APPARENT

SINCE SWARAN SINGH'S JULY VISIT TO TEHRAN (REFTELS A & B) THE GOI HAD HIGH HOPES FOR ATTRACTING LARGE IRANIAN CAPITAL INVESTMENT IN INDIA, AND DEVELOPING GREATER EXPORT MARKETS FOR INDIAN GOODS IN IRAN. THE IRANIANS RESISTED INDIAN REQUESTS ON CRUDE PRICES AND INVESTMENT PROPOSALS, LEAVING THE JOINT PRESS STATEMENT A BLAND STATEMENT OF GENERAL PRINCIPLES AND A PROMISE OF A FURTHER SERIES OF MEETINGS NEXT MONTH IN TEHRAN. WHETHER CONCRETE AGREEMENTS ARE REACHED THERE OR NOT, THE EXCHANGE OF VISITS IS TO CONTINUE: MRS. GANDHI IS EXPECTED TO GO TO TEHRAN THIS SUMMER AND THE SHAH MAY VISIT INDIA IN SEPTEMBER.

2. THE IRANIANS WOULD NOT YIELD ON INDIA'S MOST PRESSING DEMAND RELIEF FROM THE SURGE IN OIL PRICES (REFTEL C). MINISTER OF ECONOMY ANSARI FLATLY RULED OUT ANY POSSIBILITY OF A TWO-TIER SYSTEM OF OIL PRICES, WHICH WOULD ALLOW INDIA AND OTHER DEVELOPING NATIONS TO PURCHASE OIL AT A CHEAPER PRICE. THE IRANIANS ALSO DECLINED TO EXTEND SOFT LOANS FOR INDIAN PETROLEUM PURCHASES. EVEN BEFORE THE RECENT CRUDE PRICE INCREASE, INDO-IRANIAN TRADE WAS BADLY IMBALANCED, WITH INDIAN EXPORTS TO IRAN HOLDING STEADY AT (DOLS 30 MILLION ANNUALLY, WHILE IMPORTS HAVE CLIMBED TO DOLS 151 MILLION OF WHICH DOLS 121 MILLION IS USED TO PURCHASE OIL. DESPITE INDIAN HOPES OF INCREASING EXPORTS OF CEMENT, TEXTILES, JUTE, AND IRON ORE TO IRAN TO PAY FOR ITS OIL BILL THE IRANIAN DELEGATION DID NOT COMMIT ITSELF TO ANY SPECIFIC PROPOSALS.

3. THE SHAH'S DECEMBER 23RD PRESS CONFERENCE, WITH SUGGESTIONS OF LARGE IRANIAN INVESTMENTS IN INDIA FOR IRON ORE AND PETROCHEMICALS SPURRED THE GOI TO HAND THE IRANIAN DELEGATION AN AMBITIOUS SHOPPING LIST FOR A JOINTLY OWNED REFINERY IN IRAN, EXPANSION OF THE MADRAS REFINERY (WHICH PARTNERS AMOCO AND NATIONAL IRANIAN OIL COMPANY CONSIDER UNECONOMICAL), THE ESTABLISHMENT OF A JOINT SHIPPING COMPANY, AND INDIAN CONSULTING AND TECHNICAL SERVICES. THE IRANIANS DID NOT SHOW PARTICULAR INTEREST IN ANY OF THESE PROJECTS, APPARENTLY BECAUSE OF THE FAILURE OF THE GOI TO FOLLOW UP ON SPECIFIC IRANIAN PROPOSALS FOR JOINT VENTURES FIVE YEARS AGO. KHALEELI, DIRECTOR OF MEA'S WEST ASIA AND NORTH AFRICA DIVISION SAID IN HIS OPINION IRAN WAS NOT INTERESTED IN JOINT VENTURES IN INDIA BECAUSE THE IRANIANS HAD A LOW OPINION OF INDIAN MANAGEMENT ABILITY, AND FEARED THAT THE PAYOFF ON THESE

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PROJECTS WOULD BE TOO SLOW.

4. THE INDIAN PRESS WAS ORIGINALLY QUITE OPTIMISTIC ABOUT POSSIBILITIES FOR CONCRETE AGREEMENT, BUT AFTER SEVERAL DAYS, COMMENT BECAME MORE SOBER ABOUT WHAT ACTUALLY HAD BEEN ACCOMPLISHED. THE STATESMAN, WHILE NOTING POSSIBILITIES FOR AGREEMENT AT LATER MEETINGS, CALLED THE JOINT COMMISSION MEETINGS A SETBACK FOR THE GOI. INDIAN OFFICIALS REMAIN SKEPTICAL ABOUT STATEMENTS

OF FRIENDSHIP TOWARD INDIA BY THE SHAH AND OTHER IRANIANS,
BELIEVING THEM TO BE RITUALISTIC GENERALITIES RATHER THAN
EXPRESSIONS OF REAL INTENT, BUT COMMENT HERE HAS BEEN MORE
RESTRAINED THAN THE BITTER PRIVATE REMARKS OF PETROLEUM
MINISTRY JOINT SECRETARY A.P. VERMA REPORTED IN REF. D.
SCHNEIDER

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